

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Cardoza Analyst: Paul Brainin Bill Number: AB 469

Related Bills: AB 2401 (95/96) Telephone: 845-3380 Amended Date: 07-13-98

Attorney: Doug Bramhall Sponsor: See Prior Analysis

SUBJECT: Limited Liability Companies Or Limited Liability Partnerships/Architecture

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED June 10, 1998, STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

This bill would add limited liability company (LLC) and limited liability partnership (LLP) to the definition of "person" in the Business and Professions Code pertaining to architects.

This bill also would include, but only until January 1, 2002, "the practice of architecture" in the definitions of "Registered LLP," "Foreign LLP," and "professional LLP services" in the Corporations Code.

This bill also would require registered or foreign LLPs to provide security for certain claims against them.

SUMMARY OF AMENDMENT

The July 13, 1998, amendment added a sunset date of January 1, 2002, to the inclusion of the practice of architecture to the definition of "Registered LLP" and "Foreign LLP" in the Uniform Partnership Act and the Uniform Partnership Act of 1994.

With the Specific Findings expanded below, the prior Technical Consideration does not apply. And except for the revised estimate, the department's analysis of the bill as amended June 10, 1998, still applies.

SPECIFIC FINDINGS

Existing state law defines "professional services" as any type of professional services which may be lawfully rendered only pursuant to a license, certificate, or registration authorized by the Business and Professions Code or the Chiropractic Act.

Board Position:

☐ S ☐ NA ☐ NP
☐ SA ☐ O ☐ NAR
☐ N ☐ OUA ☒ PENDING

Department/Legislative Director Date

Johnnie Lou Rosas 8/6/98

Existing uncodified state law bars domestic or foreign LLCs from rendering professional services unless expressly authorized under applicable provisions of the Business and Professions Code or the Chiropractic Act.

This bill would add LLC and LLP to the definition of "person" in the Business and Professions Code pertaining to architecture, and therefore would allow a LLC and a LLP to render professional services pertaining to architecture.

This bill would add the practice of architecture to the definitions of "Registered LLP," "Foreign LLP," and "professional LLP services" in the Uniform Partnership Act with a sunset date to the inclusion of January 1, 2002. The section of this act that defines these terms repeals itself January 1, 1999.

This bill also would add the practice of architecture to the definitions of "Registered LLP," "Foreign LLP," and "professional LLP services" in the Uniform Partnership Act of 1994. The definition of professional LLP service would include the practice of architecture only until January 1, 2002.

This bill, in uncodified law, would authorize LLCs, registered LLPs, and foreign LLPs to engage in the practice of architecture only until January 1, 2002.

Tax Revenue Estimate

It is assumed that architectural firms formed as limited liability partnerships under this bill would cease to exist on January 1, 2002. The previous estimate for the June 10th, 1998 amendment (overall gain of approximately \$150,000 per year) still applies for fiscal years 1998-9 through 2001-2 only. It is anticipated that most taxpayers would still seek liability protection for available years and would pursue to have the authorization extended.

Any possible changes in employment, personal income, or gross state product that might result from this provision are not taken into account.